



Financial Section

- 25 Independent Auditors' Report
- 26 Management's Discussion and Analysis
- 30 Statement of Fiduciary Net Assets
- 32 Statement of Changes in Fiduciary Net Assets
- 34 Notes to the Financial Statements
- 51 Schedule of Funding Progress
- 52 Schedule of Employer Contributions
- 53 Notes to Required Supplementary Information
- 54 Administrative Expenses
- 55 Investment Expenses
- 56 Contractual and Professional Services Expenses

Tom Schmidt has kept his engine in overdrive throughout retirement. A member of the Jasper City Council for 32 years, he retired from that but now has decided to run for office again in 2007. In addition to his political ambitions, he owns and works for Schmidt Contracting, a Jasper heating, cooling and plumbing company.

"I'm just not the kind of person who can retire in the traditional sense of the word," he said. "I love my community and enjoy my job of citizenship, both as a city councilperson and a local business owner."

Tom's stake in the community may stem from birth. Born and raised in Jasper, he began working for Spindler Contracting in 1961. He bought the company in 1982 and renamed it Schmidt Contracting. When he's not working, he lists motorcycle riding as one of his favorite pastimes.

"I've been riding for around 42 years," he said. "Especially during the Fall, I love riding through Brown County, Indiana, and through the Garden of the Gods in southern Illinois."

Independent Auditors' Report
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INDEPENDENT AUDITORS' REPORT

TO: THE OFFICIALS OF PUBLIC EMPLOYEES' RETIREMENT FUND BOARD OF TRUSTEES

We have audited the accompanying basic financial statements of the Public Employees' Retirement Fund Board of Trustees (PERF), as of and for the year ended June 30, 2007. These basic financial statements are the responsibility of the Public Employees' Retirement Fund Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the fiduciary funds of the Public Employees' Retirement Fund Board of Trustees as of June 30, 2007, and the changes in the plan net assets of the fiduciary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedule of Funding Progress, Schedule of Employer Contributions and the Notes to Required Supplemental Schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, Administrative Expenses, Investment Expenses, Contractual and Professional Service Expenses, Investment Section, Actuarial Section, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Administrative Expenses, Investment Expenses, and Contractual and Professional Service Expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, Investment Section, Actuarial Section, and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

State Board of Accounts
 STATE BOARD OF ACCOUNTS

September 29, 2007

Management's Discussion and Analysis

This section presents Management's Discussion and Analysis (MD&A) of the Public Employees' Retirement Fund of Indiana (PERF) financial statements for the year ended June 30, 2007. The MD&A is presented as a narrative overview and analysis in conjunction with the Letter of Transmittal included in the Introductory Section of the *PERF Comprehensive Annual Financial Report*. The MD&A also should be read in conjunction with the Financial Statements, Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information.

The following retirement plans are included in the PERF Financial Statements: Public Employees' Retirement Fund; Judges' Retirement System; State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan; 1977 Police Officers' and Firefighters' Pension and Disability Fund; Prosecuting Attorneys' Retirement Fund; Legislators' Defined Benefit Plan and the Legislators' Defined Contribution Plan. Also included in the Financial Statements are other non-retirement funds managed by PERF: the Public Safety Officers' Special Death Benefit Fund, the State Employees' Death Benefit Fund and the Pension Relief Fund. See Notes to the Financial Statements for descriptions of these retirement plans and non-retirement funds.

Financial Highlights

- The net assets of PERF were \$17.2 billion as of June 30, 2007. Net assets of the retirement plans, which are held in trust to meet future benefit payments, were \$16.9 billion as of June 30, 2007.
- The net assets of PERF increased by \$2.5 billion, or 17 percent from the prior year. The increase was due primarily to investment earnings.
- Net assets of the Pension Relief Fund, which are held in trust for pool participants, were \$246.7 million as of June 30, 2007, compared to \$297.2 million as of June 30, 2006. Pension Relief Fund distributions are mandated by state law and continue to outpace revenues.
- Substantially, all of the investments for the retirement plans and funds administered by PERF are pooled in the Consolidated Retirement Investment Fund (CRIF). The CRIF rate of return on investments for the year was 17.8 percent (net of fees) on a market value basis, compared to last year's return of 10.4 percent. Domestic, international and global equity had strong returns over the period, driving solid overall returns to the fund.

- As of July 1, 2006, the date of the most recent actuarial valuation, the Public Employees' Retirement Fund, the largest pension plan administered by PERF, is funded actuarially at 97.6 percent, which is greater than the 96.4 percent funded level as of July 1, 2005. Employer contributions are adjusted each year based on actuarial computations to fund the plan.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to PERF's financial statements. The financial section of the PERF Comprehensive Annual Financial Report is comprised of four components: 1) Financial Statements, 2) Notes to the Financial Statements, 3) Required Supplementary Information and 4) Other Supplementary Information. The information available in each of these sections is briefly summarized as follows:

1) Financial Statements

The Statement of Fiduciary Net Assets presents information on PERF's assets and liabilities and the resulting net assets held in trust for pension benefits, employee death benefits and pool participants. This statement reflects PERF's investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities. This statement indicates the net assets available to pay future pension benefits, death benefits and gives a snapshot at a particular point in time.

The Statement of Changes in Fiduciary Net Assets presents information showing how PERF's net assets held in trust for pension benefits, employee death benefits and pool participants changed during the years ended June 30, 2007 and 2006. It reflects contributions by members and employers along with deductions for retirement benefits, distributions, Pension Relief Fund distributions and withdrawals, and administrative expenses. Investment income and losses during the period are also presented, showing income from investing and securities lending activities.

2) Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data in PERF's Financial Statements.

3) Required Supplementary Information

The Required Supplementary Information consists of Schedule of Funding Progress, Schedule of Employer Contributions and notes for these schedules that provide additional information as of the latest actuarial valuation.

Management's Discussion and Analysis (continued)

4) Other Supplementary Information

Other schedules include detailed information on administrative expenses incurred by PERF, investment expenses, and contractual and professional services expenses. These schedules are presented for the purpose of additional analysis.

Financial Analysis

Total assets of PERF were \$21.6 billion as of June 30, 2007, compared to \$18.4 billion as of June 30, 2006. The increase in total assets was due primarily to investment gains during the year.

Total liabilities were \$4.4 billion as of June 30, 2007, compared to \$3.7 billion as of June 30, 2006. The increase was mainly in accounts payable, investments payable due to investment sales where settlement had not occurred by June 30, 2007, and the liability owed to the Indiana Teachers' Retirement Fund (TRF) due to retirement transfers.

A summary of PERF's Net Assets is presented below:

Net Assets (dollars in thousands)

	June 30, 2007	June 30, 2006	% Change
Assets			
Cash and Cash Equivalents	\$ 490,389	\$ 400,280	22.5%
Securities Lending Collateral	3,283,955	2,808,460	16.9
Receivables	704,148	592,783	18.8
Investments	17,082,039	14,606,277	16.9
Capital Assets (Net)	3,087	3,090	(0.1)
Total Assets	\$21,563,618	\$18,410,890	17.1%
Liabilities			
Securities Lending Collateral	\$ 3,283,955	\$ 2,808,460	16.9%
Other Current Liabilities	1,098,093	919,504	19.4
Long-Term Liabilities	275	251	9.6
Total Liabilities	\$ 4,382,323	\$ 3,728,215	17.5%
Total Net Assets	\$ 17,181,295	\$14,682,675	17.0%

As the above table shows, plan net assets were \$17.2 billion as of June 30, 2007, an increase of \$2.5 billion, or 17 percent, compared to the prior year. This increase was due primarily to higher investment income from above average investment returns.

A summary of net assets by fund compared to the prior year is as follows:

Summary of Net Assets by Fund (dollars in thousands)

	June 30, 2007	June 30, 2006	% Change
Public Employees' Retirement Fund	\$ 13,262,414	\$ 11,366,226	16.7%
Judges' Retirement System	233,386	193,310	20.7
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	63,172	52,616	20.1
1977 Police Officers' and Firefighters' Pension and Disability Fund	3,310,171	2,718,365	21.8
Prosecuting Attorneys' Retirement Fund	26,189	21,645	21.0
Legislators' Defined Benefit Plan	5,498	5,121	7.4
Legislators' Defined Contribution Plan	25,729	20,869	23.3
Public Safety Officers' Special Death Benefit Fund	2,232	1,800	24.0
State Employees' Death Benefit Fund	5,797	5,508	5.2
Pension Relief Fund	246,707	297,215	(17.0)
Total	\$ 17,181,295	\$ 14,682,675	17.0%

Substantially, all of the investments for the retirement plans and funds administered by PERF are pooled in the CRIF. The investments of the non-retirement funds administered by PERF are not included in the CRIF. The following table presents PERF's investment allocation in the CRIF compared to PERF's target investment allocation and the prior year allocation.

	June 30, 2007 Actual	June 30, 2007 Target	Allowable Range ¹	June 30, 2006 Actual
Domestic Equity	48.0%	40%	35 to 50%	49.2%
International Equity	17.6	15	10 to 20	15.6
Fixed Income	15.3	15	10 to 20	16.9
Global Equity	10.6	10	5 to 15	9.2
TIPS	6.6	5	0 to 10	8.3
Alternative Investments	1.6	15	0 to 25	0.7
Cash	0.3	-	-	0.1
Total	100%	100%		100%

¹See Notes to the Financial Statements Note 5 for additional information.

Management's Discussion and Analysis (continued)

A summary of changes in net assets by fund compared to the prior year is as follows:

Changes in Net Assets (dollars in thousands)

	FY Ended June 30, 2007	FY Ended June 30, 2006	% Change
Additions			
Member Contributions	\$ 186,293	\$ 182,422	2.1%
Employer Contributions	397,277	350,909	13.2
Contributions to Pension Relief Fund:			
From Cities and Towns	—	—	—
From the state of Indiana	63,993	63,051	1.5
Other Contributions from the state	485	307	58.0
Net Investment Income/ (Loss)	2,597,926	1,375,018	88.9
Transfers from Teachers' Retirement Fund	3,087	1,513	104.0
All Other	290	167	73.7
Total Additions	\$3,249,351	\$1,973,387	64.7%
Deductions			
Benefits	\$ 527,301	\$ 474,746	11.1%
Death Benefits and Distributions	52,481	69,173	(24.1)
Transfers to Teachers' Retirement Fund	6,928	5,122	35.3
Pension Relief Distributions	140,727	125,075	12.5
Local Unit Withdrawals ¹	2,267	3,072	(26.2)
Administrative Expenses	21,027	16,937	24.1
Total Deductions	\$ 750,731	\$ 694,125	8.2%
Increase (Decrease) in Net Assets	\$2,498,620	\$1,279,262	95.3%
Change in Net Assets Held in Trust for:			
Pension Benefits	\$2,548,407	\$1,337,557	90.5%
State and Local Units ¹	(50,508)	(58,379)	13.5
Future Death Benefits ²	721	84	758.3

¹Pension Relief Fund only.

²Other Employee Benefit Trust Funds.

Additions

Additions needed to fund benefits are accumulated through member contributions, employer contributions and returns on invested funds. Member contributions for the year ended June 30, 2007, totaled \$186.3 million. This represents an increase of \$3.9 million, or 2.1 percent, compared to the prior year. Employer contributions were \$397.3 million, an increase of \$46.4 million or 13.2 percent. Employer contributions are adjusted each year based on actuarial computations to fund the plan.

PERF recognized a net investment income of \$2.6 billion for the year ended June 30, 2007, compared to a net investment income of \$1.4 billion the prior year. The total rate of return on the CRIF was 17.8 percent (net of fees) compared to 10.4 percent the prior year.

Indiana law, effective for the fiscal year ended June 30, 2002, permitted cities and towns to defer receiving their earmarked relief payments from the Pension Relief Fund. The deferred amounts remain invested in the fund and are available to those cities and towns at their request. There were no deferrals during the year ended June 30, 2007. The state of Indiana makes contributions to the Pension Relief Fund. These contributions totaled \$64 million and \$63.1 million in the fiscal years ended June 30, 2007 and 2006, respectively.

Deductions

The deductions from PERF's net assets held in trust for pension benefits include retirement, disability and survivor benefits, distributions of contributions and interest/earnings or losses to former members, and administrative expenses. For the year ended June 30, 2007, benefits amounted to \$527.3 million, an increase of \$52.6 million or 11.1 percent from the prior year. The increase in benefits was due primarily to an increase in the number of retirees. Distributions paid out to former members were \$52.5 million, which represents a decrease of \$16.7 million or 24.1 percent from the prior year. This decrease was due primarily to: 1) procedural changes implemented in the prior year to process distributions of members' annuity savings account balances immediately upon receipt of their retirement application; 2) distributions of account balances for members who previously could not be located; and 3) termination of state employees due to privatization of their employers. These changes contributed to the higher amount of distributions in the prior year.

Administrative expenses were \$21 million, an increase of \$4.1 million, or 24.1 percent, compared to the prior year. The increase was due primarily to an increase in staffing and computer services to improve operations.

*Management's Discussion and Analysis (continued)***Historical Trends**

A pension fund is fully funded when it has enough money in reserve to meet all expected future obligations to participants. The funded ratios of the defined benefit pension plans administered by PERF as of the latest actual valuations were as follows:

	<u>July 1, 2006</u>	<u>July 1, 2005</u>
Public Employees' Retirement Fund	97.6%	96.4%
Judges' Retirement System	65.3	55.3
State Excise Police, Gaming Agent, and Conservation Enforcement Officers' Retirement Plan	74.9	69.5
Prosecuting Attorneys' Retirement Fund	68.7	65.6
Legislators' Retirement System - Defined Benefit Plan	90.2	86.8
	<u>January 1, 2006</u>	<u>January 1, 2005</u>
1977 Police Officers' and Firefighters' Pension and Disability Fund	97.2%	95.8%

An analysis of the funding progress, employer contributions and a discussion of actuarial assumptions and methods is set forth in the Required Supplementary Information of the Financial Section.

Statement of Fiduciary Net Assets

As of June 30, 2007 (with Comparative Totals as of June 30, 2006)*

(dollars in thousands)	Pension Trust Funds			
	Public Employees' Retirement Fund	Judges' Retirement System	State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' and Firefighters' Pension and Disability Fund
Assets				
Cash and Cash Equivalents	\$ 381,940	\$ 7,077	\$ 1,931	\$ 93,767
Securities Lending Collateral	2,545,000	47,436	12,815	666,401
Receivables				
Contributions	85,435	75	132	38,247
Investment Income	31,525	586	158	8,227
Due From Other Funds	16,998	-	-	-
Investment and Contract Sales	404,159	7,572	2,046	106,378
Member Loans	-	-	-	-
Miscellaneous Receivable	1	-	-	-
Due From Teachers' Retirement Fund	6	-	-	-
Advance to IPSI	-	-	-	-
Total Receivables	538,124	8,233	2,336	152,852
Investments				
Debt Securities	2,927,881	54,856	14,820	770,639
Equity Securities	6,345,594	117,528	31,750	1,651,080
Mutual Funds and Collective Trust Funds	3,710,009	58,445	15,789	821,060
Other	197,594	3,700	1,000	51,986
Total Investments	13,181,078	234,529	63,359	3,294,765
Capital Assets				
Land	546	-	-	-
Building	2,893	-	-	-
Office Equipment	87	-	-	-
Accumulated Depreciation	(439)	-	-	-
Total Capital Assets	3,087	-	-	-
Total Assets	16,649,229	297,275	80,441	4,207,785
Liabilities				
Accounts Payable	15,006	(4)	-	34
Salaries and Benefits Payable	528	-	-	-
Death Benefits Payable	-	-	-	-
Investments Payable	823,907	15,436	4,170	216,847
Due To Teachers' Retirement Fund	2,099	-	-	-
Securities Lending Collateral	2,545,000	47,436	12,815	666,401
Due to Other Funds	-	1,021	284	14,332
Total Current Liabilities	3,386,540	63,889	17,269	897,614
Compensated Absences Liability-Long Term	275	-	-	-
Total Liabilities	3,386,815	63,889	17,269	897,614
Net Assets Held in Trust for:				
Pension Benefits (See Schedule of Funding Progress on page 51)	13,262,414	233,386	63,172	3,310,171
Future Death Benefits	-	-	-	-
State and Local Units	-	-	-	-
Total Net Assets Held in Trust	\$13,262,414	\$233,386	\$63,172	\$3,310,171

*The accompanying notes are an integral part of the financial statements.

2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Pension Trust Funds			Other Employee Benefit Trust Funds		Investment Trust Fund	2007 Totals	2006 Totals
Prosecuting Attorneys' Retirement Fund	Legislators' Retirement System		Public Safety Officers' Special Death Benefit Fund	State Employees' Death Benefit Fund	Pension Relief Fund		
	Defined Benefit Plan	Defined Contribution Plan					
\$ 775	\$ 160	\$ 2,523	\$ 170	\$ 88	\$ 1,958	\$ 490,389	\$ 400,280
5,320	1,147	2,820	1,208	1,808	-	3,283,955	2,808,460
44	-	63	-	-	-	123,996	115,350
66	14	43	30	78	4	40,731	41,290
-	-	-	-	-	-	16,998	11,862
849	183	450	9	50	-	521,696	423,129
-	-	720	-	-	-	720	652
-	-	-	-	-	-	1	-
-	-	-	-	-	-	6	-
-	-	-	-	-	-	-	500
959	197	1,276	39	128	4	704,148	592,783
6,152	1,325	3,261	2,033	5,630	-	3,786,597	3,663,156
13,180	2,839	6,986	-	-	2	8,168,959	8,895,221
6,554	1,412	12,383	-	-	245,795	4,871,447	1,981,459
415	89	220	-	-	32	255,036	66,441
26,301	5,665	22,850	2,033	5,630	245,829	17,082,039	14,606,277
-	-	-	-	-	-	546	546
-	-	-	-	-	-	2,893	2,792
-	-	-	-	-	-	87	87
-	-	-	-	-	-	(439)	(335)
-	-	-	-	-	-	3,087	3,090
33,355	7,169	29,469	3,450	7,654	247,791	21,563,618	18,410,890
-	13	2	1	4	10	15,066	12,574
-	-	-	-	-	-	528	477
-	-	-	-	-	-	-	-
1,731	373	918	-	20	-	1,063,402	893,765
-	-	-	-	-	-	2,099	826
5,320	1,147	2,820	1,208	1,808	-	3,283,955	2,808,460
115	138	-	9	25	1,074	16,998	11,862
7,166	1,671	3,740	1,218	1,857	1,084	4,382,048	3,727,964
-	-	-	-	-	-	275	251
7,166	1,671	3,740	1,218	1,857	1,084	4,382,323	3,728,215
26,189	5,498	25,729	-	-	-	16,926,559	14,378,152
-	-	-	2,232	5,797	-	8,029	7,308
-	-	-	-	-	246,707	246,707	297,215
\$26,189	\$5,498	\$25,729	\$2,232	\$5,797	\$246,707	\$17,181,295	\$14,682,675

Statement of Changes in Fiduciary Net Assets

For the year ended June 30, 2007 (with Comparative

Totals for the year ended June 30, 2006)*

(dollars in thousands)	Pension Trust Funds			
	Public Employees' Retirement Fund	Judges' Retirement System	State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' and Firefighters' Pension and Disability Fund
Additions				
Contributions:				
Members	\$ 147,740	\$ 1,925	\$ 129	\$ 33,898
Employers	260,150	14,662	3,359	118,816
Additions from Cities and Towns	-	-	-	-
Other Contributions from State of Indiana:				
Cigarette Tax	-	-	-	-
Alcohol Tax	-	-	-	-
Bail Bond and Private University Fees	-	-	-	-
Lottery Proceeds	-	-	-	-
Total Contributions	407,890	16,587	3,488	152,714
Investment Income:				
Investment Income	2,059,334	36,205	9,721	501,906
Securities Lending Income	111,443	2,068	556	28,747
Less Investment Expenses:				
Securities Lending Expenses	(103,975)	(1,929)	(519)	(26,817)
Other Investment Expenses	(42,263)	(925)	(250)	(12,979)
Net Investment Income (Loss)	2,024,539	35,419	9,508	490,857
Other Additions:				
Intergovernmental Transfers -				
Other Retirement Funds	2,658	-	-	-
Late Fees and Miscellaneous Income	182	-	-	76
Total Other Additions	2,840	-	-	76
Total Additions	2,435,269	52,006	12,996	643,647
Deductions				
Pension and Disability Benefits	466,009	11,664	2,373	45,917
Death Benefits	-	-	-	72
Distributions of Contributions and Interest	48,334	72	3	3,293
Intergovernmental Transfers -				
Other Retirement Funds	6,795	-	-	-
Pension Relief Distributions	-	-	-	-
Local Unit Withdrawals	-	-	-	-
Administrative Expenses	17,943	194	64	2,559
Total Deductions	539,081	11,930	2,440	51,841
Net Increase (Decrease)	1,896,188	40,076	10,556	591,806
Beginning Net Assets Held in Trust for:				
Pension Benefits	11,366,226	193,310	52,616	2,718,365
State and Local Units	-	-	-	-
Future Death Benefits	-	-	-	-
Ending Net Assets Held in Trust	\$13,262,414	\$233,386	\$63,172	\$3,310,171

*The accompanying notes are an integral part of the financial statements.

2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Pension Trust Funds			Other Employee Benefit Trust Funds		Investment Trust Fund	2007 Totals	2006 Totals
Prosecuting Attorneys' Retirement Fund	Legislators' Retirement System		Public Safety Officers' Special Death Benefit Fund	State Employees' Death Benefit Fund	Pension Relief Fund		
	Defined Benefit Plan	Defined Contribution Plan					
\$ 1,133	\$ -	\$ 1,468	\$ -	\$ -	\$ -	\$ 186,293	\$ 182,422
190	100	-	-	-	-	397,277	350,909
-	-	-	-	-	-	-	-
-	-	-	-	-	31,682	31,682	30,362
-	-	-	-	-	2,311	2,311	2,689
-	-	-	485	-	-	485	307
-	-	-	-	-	30,000	30,000	30,000
1,323	100	1,468	485	-	63,993	648,048	596,689
4,036	908	3,638	106	314	29,655	2,645,823	1,407,192
231	52	124	41	112	1,243	144,617	114,935
(215)	(48)	(116)	(39)	(107)	(1,171)	(134,936)	(106,951)
(104)	(113)	(7)	(10)	(26)	(901)	(57,578)	(40,158)
3,948	799	3,639	98	293	28,826	2,597,926	1,375,018
-	-	429	-	-	-	3,087	1,513
-	-	32	-	-	-	290	167
-	-	461	-	-	-	3,377	1,680
5,271	899	5,568	583	293	92,819	3,249,351	1,973,387
633	333	-	-	-	-	526,929	474,537
-	-	-	150	-	150	372	209
71	-	708	-	-	-	52,481	69,173
-	133	-	-	-	-	6,928	5,122
-	-	-	-	-	140,727	140,727	125,075
-	-	-	-	-	2,267	2,267	3,072
23	56	-	1	4	183	21,027	16,937
727	522	708	151	4	143,327	750,731	694,125
4,544	377	4,860	432	289	(50,508)	2,498,620	1,279,262
21,645	5,121	20,869	-	-	-	14,378,152	13,040,596
-	-	-	-	-	297,215	297,215	355,593
-	-	-	1,800	5,508	-	7,308	7,224
\$26,189	\$5,498	\$25,729	\$2,232	\$5,797	\$246,707	\$17,181,295	\$14,682,675

Notes to the Financial Statements – June 30, 2007

Note 1. Summary of Significant Accounting Policies

Listed below are the significant accounting policies adhered to by the Public Employees' Retirement Fund of Indiana (PERF) Board of Trustees.

(A) Reporting Entity

PERF is an independent body corporate and politic exercising essential government functions. The financial statements presented in this report represent only those funds for which the PERF Board of Trustees (Board of Trustees), has responsibility, and are not intended to represent the financial position or results of operations of the state of Indiana or all of the retirement and benefit plans administered by the state. Although PERF is not a state agency, it is a discretely presented component unit of the state of Indiana for financial statement reporting purposes.

The following funds are included in the financial statements: Public Employees' Retirement Fund; Judges' Retirement System; State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan; 1977 Police Officers' and Firefighters' Pension and Disability Fund; Prosecuting Attorneys' Retirement Fund; Legislators' Defined Benefit Plan; Legislators' Defined Contribution Plan; Public Safety Officers' Special Death Benefit Fund; State Employees' Death Benefit Fund and the Pension Relief Fund. See Notes 2 and 3 for descriptions of these funds.

(B) Basis of Presentation

The financial statements of PERF have been prepared using fund accounting in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. GASB statement no. 25 has been implemented for the defined benefit pension plans.

(C) Fund Accounting

PERF uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

The Board of Trustees administers seven pension trust funds, two death benefit funds accounted for as other employee benefit trust funds, and an investment trust fund.

The Board of Trustees also has general fund accounts on the Auditor of State's accounting system. These are used to

transfer general fund appropriations to certain funds. The accounts themselves are not included in these financial statements, but the appropriations are included as contributions in the funds for which the appropriations were made.

Fiduciary funds, including pension trust funds, other employee benefit trust funds and an investment trust fund, account for assets held by the government in a trustee capacity or as an agent on behalf of others. These funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting.

(D) Basis of Accounting

The accrual basis is used for financial statement reporting purposes. Receivables are not maintained on the accounting records but are calculated or estimated for financial statement reporting purposes. Throughout the year, the investments are maintained on the accounting records at the net asset value per the custodian bank. The custodian maintains records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize the investment receivables and payables as described in Investment Unit Trust Accounting in Section J.

(E) Contributions

Contributions are considered due when the related payroll is issued by the employer. Employers are not required to submit the contributions until the month following the end of the quarter. The estimates for contributions receivable at year-end for each of the retirement funds were determined on the basis that best represents that fund's receivable. The different bases include actual third quarter contributions received during the quarter ended June 30, 2007, actual contributions received in July for workdays in June or a combination of the two.

(F) Benefits and Distributions

Pension benefits are recognized when due and payable. Initial benefits payments are made after processing the retirement applications. Annuity savings accounts distributions (refunds) are recognized when the distribution applications are due and payable.

(G) Administrative Expenses

An annual budget for the administrative expenses of PERF is reviewed and approved by the Board of Trustees. Administrative expenses are paid from investment earnings.

The Public Employees' Retirement Fund (PERF plan) pays the administrative expenses of all the funds. At June 30, a

Notes to the Financial Statements (continued)– June 30, 2007

receivable is established in the PERF plan and a payable in the other funds for the amount due to the PERF plan for the other funds' administrative expenses. Although not legally required, the Legislators' Defined Benefit Plan covers the costs of the Legislators' Defined Contribution Plan.

(H) Deposits and Investments

The Treasurer of State acts as the official custodian of the cash and securities of the funds, except for securities held by banks or trust companies under custodial agreements with PERF. The Board of Trustees contracts with investment counsel, trust companies or banks to assist PERF in its investment program. The Board of Trustees is required to diversify investments in accordance with the prudent investor standards. The investment policy statement adopted by the Board of Trustees and the asset allocation approved by the Board of Trustees contain limits and goals for each type of investment portfolio and specify prohibited transactions. The investment guidelines authorize investments of U.S. Treasury and Agency obligations; U.S. Government Securities; corporate bonds; notes and debentures; common stocks; collective trust funds (CTF), which are regulated by the Office of the Comptroller of the Currency; repurchase agreements secured by U.S. Treasury obligations; mortgage securities; commercial paper; banker's acceptances and other such investments. See Note 5 for more information.

(I) Method Used to Value Investments

GASB statement no. 25 requires that investments of defined benefit plans be reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. CTFs' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the trustee. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those most recently provided by the general manager plus or minus cash flows transacted since the valuation date.

(J) Investment Unit Trust Accounting

In order to provide a consolidated rate of return for the pension funds and effectively invest in a diversified manner, the Board of Trustees has directed that investment unit trust accounting be implemented and that the investments be commingled as allowed by state statutes. Unit trust accounting involves assigning units to each fund based on the share of the fund's investment fair value to the total fair value of the consolidated investments. The custodian bank prepares

consolidated bank statements and fund statements that show the unit trust accounting activity. Investment earnings and appreciation increase the per unit value of all participating funds. Deposits and withdrawals for each fund change the number of units held by each fund. These changes are recorded at the unit value on the transaction date. Investment earnings or losses and fees for the total consolidated fund are allocated to each of the pension funds on a monthly basis using the pro rata fair value share at month end.

The Consolidated Retirement Investment Fund (CRIF) is an internal investment pool as defined by the GASB. It is comprised of investment bank accounts that are maintained individually for each of the contracted investment managers. The CRIF includes all investments and transactions of the pension funds, except for the PERF plan members' annuity savings accounts directed outside the guaranteed fund and a short-term investment account. The Legislators' Defined Contribution Plan also has investment options other than the CRIF. The non-retirement funds administered by PERF are not included in the CRIF.

In accordance with GASB criteria for internal investment pools, the assets and liabilities of the CRIF are allocated pro rata to each of the retirement funds within the pool. This includes cash equivalents, securities lending collateral, accounts receivable and payable to brokers, accrued interest, and the investment holdings. The financial statements recognize the investment purchases and sales on the trade date as required by the GASB.

The PERF plan members' annuity savings accounts directed to the S&P 500 Stock Index Fund and International Equity Index Fund are commingled and included with those portfolios maintained for the consolidated fund investments. The Pension Relief Fund also invests in the S&P 500 Stock Index Fund. The unit trust method is used to separately account for the transactions and balances owned by the CRIF, those owned by the PERF plan members' annuity savings accounts and the Pension Relief Fund.

(K) Advance to IPSI

Indiana Pension Systems, Incorporated (IPSI) was a joint venture between PERF and the Teachers' Retirement Fund (TRF) created to provide information technology services to both organizations. IPSI was dissolved in May 2006 and became part of the Indiana Office of Technology. At June 30, 2006, PERF's investment of \$500,000 was classified from Other Investments to Receivables. This amount was received on September 1, 2006.

Notes to the Financial Statements (continued) – June 30, 2007**(L) Investment and Contract Sales Receivables and Investments Payable**

Investment and contract sales receivables and investments payable consists primarily of forward currency contracts, spot currency contracts, and receivables or payables for securities purchased or sold but not settled as of June 30, 2007.

(M) Other Investments

Other Investments includes warrants, overdrafts and investment in shares of limited liability partnerships.

(N) Building

PERF owns the building in which it resides at 143 W. Market Street. The building is depreciated over 20 years using the straight-line method. At June 30, 2007 the accumulated depreciation on the building was \$420,033. This includes a one-time adjustment of \$61,490 due to reclassifying the land value from the building assets. The chiller system was replaced during the year increasing the cost of the building by \$101,193.

(O) Equipment

Equipment with a cost of \$20,000 or more is capitalized at its original cost and depreciation is recognized in administrative expenses. Depreciation is computed on the straight-line method over the estimated useful life of the assets and accumulated depreciation as of June 30, 2007, was \$18,912. No new equipment was capitalized during the year.

(P) Inventories

Inventories of consumable supplies are not recognized on the Statement of Fiduciary Net Assets since they are considered immaterial. Purchases of consumable supplies are recognized as expenses at the time of purchase.

(Q) Reserves and Designations

Listed below are the legally required reserves and other designations of fund equity.

1. Member Reserve – The member reserve represents member contributions made by or on behalf of the members plus any interest distributions, less amounts distributed or transferred to the benefits in force reserve for retirement, disability or other benefits. For the PERF plan, this reserve is the members' annuity savings accounts. Member reserves are fully funded.

2. Employer Reserve – This reserve consists of the accumulated employer contributions, plus earnings, less transfers made to the benefits in force reserve of the actuarial pension cost. The funding status of the employer reserve is outlined in the Schedule of Funding Progress in the accompanying Required Supplementary Information.

3. Benefits in Force – This reserve represents the actuarially determined present value of future benefits for all members who are currently retired or disabled. The accumulated contributions of the members who elect to annuitize their annuity savings accounts and the actuarial pension cost are transferred to the reserve upon retirement or disability. This reserve is fully funded based on the latest actuarial valuation.

4. Undistributed Investment Income Reserve – This reserve is credited with all investment earnings. Interest transfers are made periodically during the year to the other reserves as allowed or required by the individual funds' statutes. The transfers are at rates established by the Board of Trustees, statutes or the actual earning rates of the investment options, depending on the statutes of the individual funds. The budget for the next fiscal year is transferred to the administrative expense designation. Any remaining balance (positive or negative) is transferred to the employer reserve and allocated to the employers of the fund.

5. Administrative Expense – This designation represents the following fiscal year's administrative budget in the PERF plan, which initially pays all administrative expenses. The budget for the fiscal year ending June 30, 2008, is approximately \$111.5 million.

<i>(dollars in thousands)</i>	Member Reserve	Employer Reserve	Benefits in Force	Undistributed Income
Public Employees' Retirement Fund	\$2,707,176.3	\$6,824,439.0	\$3,619,308.3	\$ -
Judges' Retirement System	21,275.6	78,700.8	133,409.0	-
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	3,526.4	36,597.5	23,048.3	-
1977 Police Officers' and Firefighters' Pension and Disability Fund	482,713.2	2,276,123.5	551,334.2	-
Prosecuting Attorneys' Retirement Fund	16,013.9	6,131.6	4,043.8	-
Legislators' Retirement System – Defined Benefit Plan	N/A	3,197.6	2,301.0	-
Defined Contribution Plan	25,729.1	N/A	N/A	-

Notes to the Financial Statements (continued)– June 30, 2007

(R) Compensated Absences

PERF's full-time employees are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, 10 and 20 years of employment with PERF or the state of Indiana. Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation from service, employees in good standing will be paid for a maximum of 30 unused vacation leave days.

No liability is reported for unpaid accumulated sick leave. Vacation and personal leave and the salary related payments that are expected to be liquidated are reported as Compensated Absences Liability.

(S) PERF Employees' Pension Plan

Until June 30, 2000, PERF was an agency of the state of Indiana. When PERF became an independent body corporate and politic in July 2000, the Board of Trustees elected that PERF employees remain in the state of Indiana PERF plan. This plan is described in Note 2(A). PERF employees have remained combined with the state of Indiana for actuarial purposes; thus, actuarial figures are not available to separately identify PERF's portion of the pension obligations, assets and liabilities. For significant actuarial assumptions, see Notes to Required Supplementary Information-Public Employees' Retirement Fund. The Annual Pension Cost and Net Pension Obligations, and the historical trend information for the state of Indiana PERF plan are as follows:

Annual Pension Cost and Net Pension Obligation (Asset)

(dollars in thousands)

Annual required contribution	\$ 87,947
Interest on net pension obligation	(5,541)
Adjustment to annual required contribution	6,314
Annual pension cost	88,720
Contributions made	72,890
Increase in net pension obligation	\$ 15,830
Net pension obligation, beginning of year	(76,421)
Net pension obligation, end of year	\$(60,591)
 Contribution rate	 6.3%

Three-Year Trend Information

(dollars in thousands)

Actuarial Valuation Date	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
July 1, 2006	\$ 88,720	82.2%	\$ (60,591)
July 1, 2005	70,498	89.0	(76,421)
July 1, 2004	55,063	164.7	(83,416)

(T) Transfers to and from Teachers' Retirement Fund

If a member was last employed in a PERF-covered position, PERF will use the member's TRF service and annuitized savings account balance at the time of retirement to calculate the member's retirement benefit. Likewise, if a member was last employed in a TRF-covered position, TRF will use the member's PERF service and annuitized savings account balance. The respective fund sets up a receivable for both the annuity savings account and the calculated reserve for the pension for those members retiring from their fund with service in the other fund. The receivable is included as a line item in the receivable section of the Statement of Fiduciary Net Assets. Likewise, a payable is set up for the amount due to the other fund which is located in the liabilities section of the Statement of Fiduciary Net Assets.

Note 2. Retirement Plans

The following is a brief description of each of the retirement funds and plans:

(A) Public Employees' Retirement Fund

The PERF plan is an agent multiple-employer public employee retirement system and a defined benefit plan that acts as a common investment and administrative agent for units of state and local governments in Indiana. Established by the Indiana Legislature in 1945 and governed through the Board of Trustees by Indiana Code (IC) 5-10.2 and IC 5-10.3, this trust fund provides a retirement program for most officers and employees of the state of Indiana who are not eligible for another program.

The PERF plan also covers many officers and employees of municipalities of the state, including counties, cities, towns, townships and school corporations. The political subdivisions become participants by ordinance or resolution of the governing body, which specifies the classifications of employees who will become members of the fund, and is filed with and approved by the Board of Trustees. In order to be a member, employees hired after June 30, 1982 must occupy positions normally requiring performance of 1,000 hours of service during a year. School corporation employees, however, as well as those hired before July 1, 1982 must occupy positions requiring service of 600 hours during a year.

Notes to the Financial Statements (continued) – June 30, 2007

At June 30, 2007, the number of participating political subdivisions was 1,180. The PERF plan membership at July 1, 2006 consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	58,283
Terminated employees entitled to benefits but not yet receiving them	11,552
Active employees: vested and non-vested	140,563
Total	210,398
Total covered payroll (dollars in thousands)	\$ 4,322,180

The PERF plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. The mandatory employer contribution is a percentage of payroll, determined by PERF's actuary (actuaries), necessary to fund the pension benefit in accordance with IC 5-10.2-2-11. The annuity savings account consists of the member's contributions, set by statute at 3 percent of compensation, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, certain members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings account.

At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account instead of receiving the amount as an annuity. The annuity savings account may be withdrawn at any time should a member terminate employment prior to retirement. Withdrawal of the annuity savings account prior to retirement results in forfeiture of the related pension benefit. The pension benefits vests after 10 years of creditable service. The vesting period is eight years for certain elected officials. When benefit rights are vested, members may retain them even if they withdraw from active service before normal retirement age.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of PERF plan covered employment. The average annual compensation in this calculation is an average of the member's highest 20 calendar quarters' salaries during PERF plan covered employment. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's salary.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and the member's age plus number of years of PERF plan covered employment is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has 15 years of creditable service is eligible for early retirement with a reduced pension, ranging from 44 to 94 percent of the pension benefit described above.

The PERF plan also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. Upon the death in service of the member with 15 or more years of creditable service, a survivor benefit may be paid to the spouse or designated dependent beneficiary. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits.

(B) Judges' Retirement System

The Judges' Retirement System is a single employer public employee retirement system and a defined benefit plan, established in 1953, and is governed through the Board of Trustees by IC 33-38-6, IC 33-38-7, and IC 33-38-8. Coverage is for any person who has served, is serving or shall serve as a regular judge of the Supreme Court of the state of Indiana, Circuit Court of any Judicial Circuit, Indiana Tax Court or county courts including: Circuit, Superior, Criminal, Probate, Juvenile, Municipal and County Court. Indiana Code 33-38-8 applies to judges beginning service after August 31, 1985.

Retirement, permanent disability and death benefits are provided by the Judges' Retirement System. Retirement benefits vest after eight years of creditable service. Judges who retire at or after age 65 with eight years of creditable service (or are at least 55 years of age and the participant's age in years plus the participant's years of service is at least 85) are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated in accordance with statutes.

Notes to the Financial Statements (continued)– June 30, 2007

A reduced amount is paid for early retirements that may be selected upon attainment of age 62. There is no vesting requirement for permanent disability benefits.

Surviving spouses or dependent children are entitled to benefits if the participant had qualified to receive a retirement or disability benefit, or had completed at least eight years of service and was in service as a judge.

The annual retirement benefit for a participant equals the product of the salary that was paid to the participant at the time of separation from service, multiplied by a percentage for years of service as defined in the statute. The statute provides for the percentage to be prorated for partial years of service. If the annual retirement benefit of a participant who began service as a judge before July 1, 1977, as computed per IC 33-38-7-11, is less than the amount the participant would have received under IC 33-38-6 as in effect on June 30, 1977, the participant is entitled to receive the greater amount as the participant's annual retirement benefit. The benefits of the retired judges that were former participants in the 1977 Judges' Fund are increased by the same percentage increase as the active judges salary.

At July 1, 2006, the Judges' Retirement System membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	269
Terminated employees entitled to benefits but not yet receiving them	98
Active employees: vested and non-vested	274
Total	641
Total covered payroll (dollars in thousands)	\$ 34,065

Member contributions are established by statute at 6 percent of total statutory compensation paid by the state of Indiana, are deducted from the member's salary and remitted by the Auditor of State. However, no contribution is required and no such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the state's General Fund. Indiana Code 33-38-6-17 provides that this appropriation only include sufficient funds to cover the aggregate liability of the fund for benefits to the end of the biennium on an actuarially funded basis. The statute also provides for remittance of docket fees and court fees which are considered employer contributions.

Effective July 1, 2007, provisions for purchasing service credit were changed in the Judges' Retirement System. A 2 percent Cost-of-Living Adjustment (COLA) is payable Jan. 1, 2008 and Jan. 1, 2009 to participants, survivors and beneficiaries of the 1985 Judges' Retirement System.

(C) State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan

The State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan (E, G & C Plan) was established in 1972 and is governed by IC 5-10-5.5, as amended. The retirement fund is a single employer defined benefit plan. The retirement fund is for employees of the (1) Indiana Department of Natural Resources, (2) Indiana Alcohol and Tobacco Commission and (3) any Indiana state excise police officer, Indiana state conservation enforcement officer or gaming agent who are engaged exclusively in the performance of law enforcement duties.

The E, G & C Plan provides retirement, disability and survivor benefits. Retirement and survivor benefits vest after 15 years of creditable service. Each participant is required to retire on or before the first day of the month following the participant's 60th birthday. A participant who is at least 55 years of age and the sum of the participant's years of creditable service and age in years equals at least 85 may retire and become eligible for benefits. A step-rate benefits formula specified by statute is used to calculate benefits that are payable monthly for life. A reduced benefit is provided for early retirements that are elected upon attainment of age 45 with 15 years of creditable service.

The surviving spouse or the parent(s) is entitled to benefits for life generally equal to 50 percent of the amount the participant would have received if retired. Surviving unmarried children are entitled to benefits equal to their proportionate share of the amount the participant would have received if retired. This benefit will continue until the child reaches 18 years of age or marries.

There is no vesting requirement for entitlement to the E, G & C Plan's permanent and temporary disability benefits. The benefit amount is greater if the disability arose in the line of duty. The benefit is based upon the participant's monthly salary times the degree of impairment as determined by PERF's medical authority.

Members are required by statute to contribute 3 percent of the first \$8,500 of annual salary to the plan. If a member leaves covered employment or dies before 15 years of credited service, accumulated member contributions plus inter-

Notes to the Financial Statements (continued) – June 30, 2007

est, as credited by the Board of Trustees, are distributed to the member, designated beneficiary or the member's estate. The state of Indiana, as the employer, is required by statute to contribute the remaining amount necessary to actuarially finance the benefits.

At July 1, 2006, the E, G & C Plan's membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	132
Terminated employees entitled to benefits but not yet receiving them	9
Active employees: vested and non-vested	310
Total	451
Total covered payroll (dollars in thousands)	\$ 14,892

Effective July 1, 2007, the E, G & C plan became the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan. Additionally, changes to the plan effective July 1, 2007, are as follows:

- (1) participants with one year of creditable service may purchase service credit for the participant's prior service in a position covered by a public retirement fund,
- (2) may elect full retirement benefits at age 50 with 25 years of service;
- (3) are entitled to receive creditable service for the time the participant receives disability benefits under a disability plan established under IC 5-10-8-7,
- (4) the retirement benefit is increased 1 2/3 percent of the participant's average annual salary for each year of service over 10 years;
- (5) Gaming Control Officers become members of the fund; and
- (6) the new employee contribution rate is 4 percent of salary.

(D) 1977 Police Officers' and Firefighters' Pension and Disability Fund

The 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) is a defined benefit, multiple-employer, cost sharing public employee retirement system. The 1977 Fund was established in 1977 and is governed by IC 36-8-8 to provide coverage to full-time sworn officers of a police force of an Indiana city or town and full-time firefighters employed by an Indiana city, town, township or county.

A participant is required by statute to contribute 6 percent of a first class officer or firefighter's salary for the term of their

employment up to 32 years. The accumulated value of the member's contribution, including interest, may be withdrawn if the member terminates employment prior to completing 20 years of service. The actuary determines employer contributions.

A member who retires at or after the age of 52, with 20 years of service, is entitled to 50 percent of the salary of a first class officer, as determined by the employer in the year the 1977 Fund member ended service plus 1 percent for each six month period over 20 years. The maximum benefit is 74 percent of the salary of a first class officer.

The 1977 Fund also provides disability and survivor benefits. If an active member has a covered impairment, the member is entitled to file an application for disability. The statute defines the disability benefits. The benefits may be based on when the member was first hired, the type of impairment and other factors.

If a member dies while receiving retirement or disability benefits there are provisions for the surviving spouse and children to receive a portion of the benefits. The member's surviving spouse is entitled to a monthly benefit equal to 60 percent during the spouse's lifetime. Each of the member's surviving children is entitled to a monthly benefit equal to 20 percent of the member's monthly benefit until the age of 18 or age 23 if a full-time student. If there is no eligible surviving spouse or children, a dependent parent(s) may receive 50 percent of the member's monthly benefit during their lifetime.

Each year, the Board of Trustees, or its designee, determines the COLA. To calculate the COLA, PERF determines if there has been an increase or decrease in the consumer price index (United States city average) prepared by the United States Department of Labor by comparing the arithmetic mean of the consumer price index for January, February and March of that year with the arithmetic mean for the same three months of the preceding year. The increase or decrease shall be stated as a percentage of the arithmetic mean for the preceding three-month period. The percentage shall be rounded to the nearest 0.1 percent and may not exceed 3 percent. A member's or survivor's monthly benefit, beginning with the July payment, shall be increased or decreased by an amount equal to the June payment times the percentage increase or decrease. However, a member's or survivor's monthly benefit may not be increased or decreased by a COLA until July of the year following the year of the first monthly benefit payment to the member or survivor. In computing a member's benefit, the increase or decrease is based

Notes to the Financial Statements (continued)– June 30, 2007

only on those years for which the member was eligible for benefit payments under this chapter. A monthly benefit may not be reduced below the amount of the first monthly benefit received by the member or survivor.

At June 30, 2007, the number of participating employer units totaled 161 (253 police and fire departments). Membership of the 1977 Fund at Jan. 1, 2006, consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	2,127
Terminated employees entitled to benefits but not yet receiving them	172
Active employees: vested and non-vested	11,728
Total	14,027
Total covered payroll (dollars in thousands)	\$ 522,227

Indiana Code 36-8-8-9 was amended effective July 1, 1998, allowing firefighters and police officers who elected to convert their benefits from the 1925, 1937 or 1953 funds and either were retired or disabled on or before June 30, 1998, to be entitled to receive benefits under the statutory provisions of the 1977 Fund. The individuals were then considered members of the 1977 Fund for the purposes of paying benefits effective Oct. 1, 1998. Due to this law change, 1,256 individuals became payees of the 1977 Fund.

(E) Prosecuting Attorneys' Retirement Fund

The Prosecuting Attorneys' Retirement Fund (PARF) was established in 1989 and is governed by IC 33-39-7. PARF is a single employer defined benefit plan and is for individuals who serve as a prosecuting attorney, chief deputy prosecuting attorney or certain other deputy prosecuting attorneys paid by the state of Indiana. These individuals are paid from the General Fund of the state of Indiana.

PARF provides retirement, disability and survivor benefits. A participant is entitled to a retirement benefit if the participant is at least 65 years of age (62 years for reduced benefits), has at least eight years of service, has ceased service in a PARF-covered position and is not receiving, nor entitled to receive, any salary from the state for services currently performed except for services rendered as a senior prosecuting attorney under IC 33-39-7-15.

The amount of the annual retirement benefit for a participant who is at least 65 years of age is the product of the highest annual salary that was paid to the participant, multiplied by a percentage based on the participant's years of service. The percentages range from 24 percent for eight years of service to 60 percent for 22 or more years of service.

If the participant is at least 62 years of age, the participant is entitled to receive a reduced annual retirement benefit that equals the benefit, as calculated above, reduced by 0.25 percent for each month that the participant's age at retirement precedes the participant's 65th birthday.

Members contribute 6 percent of their salary. They receive annual interest earnings of 5.5 percent in accordance with statute.

Retirement benefits payable to a participant are reduced by the defined benefit portion of the pension, if any, that would be payable to the participant from the PERF plan if the participant had retired from the PERF plan on the date the participant's retirement from the PARF occurred. Members of this fund also are participating members of the PERF plan. The state of Indiana has elected to pay the 3 percent employee contributions.

PARF also provides disability and survivor benefits. A participant who has at least five years of creditable service and becomes disabled while in active service may retire for the duration of the disability if the participant has qualified for social security disability benefits and has furnished proof of the qualification. The amount of the annual benefit payable to a participant for disability benefits is equal to the product of the annual salary that was paid to the participant at the time of separation from service multiplied by a percentage based on the participant's years of service. The percentages range from 40 percent for five years of service to 50 percent for 20 or more years of service.

The surviving spouse of a participant who dies is entitled to benefits regardless of the participant's age if the participant was receiving benefits from this fund, serving as a prosecuting attorney or chief deputy prosecuting attorney and had completed at least eight years of service, or met the requirements for disability benefits.

The surviving spouse is entitled to a benefit for life equal to the greater of \$7,000 or 50 percent of the retirement benefit the participant was drawing at the time of death, or to which the participant would have been entitled, had the participant retired and begun receiving retirement benefits on the date of death, with the reductions as necessary for early retirement. If there is not a surviving spouse, there are provisions for dependents to receive benefits.

All disability benefits payable from PARF and benefits payable to a surviving spouse or dependent children are reduced by the amounts, if any, that would be payable under the PERF plan.

Notes to the Financial Statements (continued) – June 30, 2007

At July 1, 2006, the PARF membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	18
Terminated employees with accrued creditable service	260
Active employees: vested and non-vested	218
Total	496
Total covered payroll (dollars in thousands)	\$ 19,225

(F) Legislators' Retirement System

The Legislators' Retirement System was established in 1989 by IC 2-3.5-3-2. The retirement system is for certain members of the General Assembly of the state of Indiana as specified by the provisions of the statute.

The Legislators' Retirement System is comprised of two separate and distinct plans. The Legislators' Defined Benefit Plan (IC 2-3.5-4), a single employer defined benefit plan, applies to each member of the General Assembly who was serving on April 30, 1989, and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Contribution Plan (IC 2-3.5-5) applies to each member of the General Assembly who was serving on April 30, 1989, and filed an election under IC 2-3.5-3-1(b), and each member of the General Assembly who is elected or appointed after April 30, 1989.

Legislators' Defined Benefit Plan

The Legislators' Defined Benefit Plan (LDB Plan) provides retirement, disability and survivor benefits. Members of the General Assembly who began service after April 30, 1989, are not members of this plan. A participant is entitled to a monthly retirement benefit if: (1) the participant is at least 65 years of age (55 years for reduced benefits); or (2) is at least 55 years of age and whose years of service as a member of the General Assembly plus years of age equal at least 85; or (3) is at least 60 years of age and has at least 15 years of service; (4) has terminated service as a member of the General Assembly; (5) has at least 10 years of service as a member of the General Assembly and (6) is not receiving, nor is entitled to receive, compensation from the state of Indiana for work in any capacity.

The monthly retirement benefit is the lesser of \$40 multiplied by the total years of service completed by the participant as a member of the General Assembly before Nov. 8, 1989, or the highest consecutive three-year average annual salary of the participant under IC 2-3-1-1 at the date the participant's service as a member of the General Assembly is terminated, divided by 12.

A participant who has reached at least age 55 and meets the other requirements stated above is eligible for early retire-

ment with a reduced benefit. The actual reduction is based on the participant's age and ranges from 0.1 percent to 56 percent of the monthly retirement as calculated above.

The LDB Plan also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service may retire for the duration of the disability if the member has qualified for social security disability and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. Upon the death of a participant who was receiving retirement benefits, or had completed at least 10 years of service as a member of the General Assembly, or was permanently disabled and receiving disability benefits from the system, the surviving spouse is entitled to receive survivor benefits. The benefits are for life and are equal to 50 percent of the amount of retirement benefits that the participant was receiving at the time of death or the participant would have been entitled to receive at 55 years of age, or at the date of death, whichever is later. If there is not a surviving spouse, there are provisions for dependents to receive benefits.

The amount required to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund for each biennium.

Legislators' Defined Contribution Plan

A participant of the Legislators' Defined Contribution Plan (LDC Plan) who terminates service as a member of the General Assembly is entitled to withdraw both the employee and employer contributions to the LDC Plan. The amount available for withdrawal is the fair market value of the participant's account on the quarter end preceding the date of withdrawal plus any contributions since the quarter end. Account balances are fully vested to the participants. The withdrawn amount can be paid in a lump sum, installments as provided in the statute or as an actuarially equivalent monthly annuity as offered by the Board of Trustees and elected by the participant.

If a participant dies while a member of the General Assembly or after terminating service as a member, but prior to withdrawing from the LDC Plan, the participant's account is to be paid to the beneficiary (or beneficiaries) or to the survivors. The amount to be paid is the fair market value of the participant's account (employer and employee contributions) on the quarter end preceding the date of payment plus contributions since the quarter end.

Notes to the Financial Statements (continued)– June 30, 2007

Each participant shall make employee contributions of 5 percent of salary received for services rendered after June 30, 1989. Employer contributions equal to 20 percent of the annual salary received by each participant for services rendered after June 30, 1989, are to be appropriated from the state of Indiana General Fund.

Investments in the members' accounts are individually directed and controlled by plan participants who direct the investment of their account balances among several investment options of varying degrees of risk and earnings potential. The investment options include the CRIF, Bond Fund, Money Market Fund, Small Cap Stock Fund, S&P 500 Stock Index Fund and International Equity Index Fund. Members may make changes to their investment directions daily. Investments of the plan are reported at fair value.

At July 1, 2006, the Legislators' Retirement System's membership consisted of:

	Defined Benefit	Defined Contribution
Retirees, disabilitants and beneficiaries receiving benefits	39	-
Terminated employees entitled to benefits but not yet receiving them	30	-
Active employees: vested and non-vested	46	197
Total	115	197
Total covered payroll (dollars in thousands)		\$5,875

A member of the LDB Plan may also be a member of the LDC Plan if the participant is still a member of the General Assembly or has not withdrawn from the LDC Plan since terminating service as a member of the General Assembly.

Note 3. Description of Non-Retirement Funds

Listed below is a brief description of the non-retirement funds administered by PERF.

(A) Pension Relief Fund

The Pension Relief Fund (PR Fund) was created by the Indiana General Assembly in 1977 (IC 5-10.3-11). The purpose of the PR Fund is to give financial relief to cities' and towns' pension funds for their police officers and firefighters retirement plan benefits.

The PR Fund's additions are derived from contributions from the state of Indiana for a portion of cigarette and alcohol taxes, a portion of the state's lottery proceeds, investment income earned and appropriations from the General Assembly.

Distributions are made from the PR Fund to cities and towns on June 30 and Sept. 30 based on a statutory formula. The distribution is based on two separate computations, the "K portion" and the "M portion." The "K portion" is based on the number of retirees and amount of benefits projected to be paid during the current year and the "M portion" is based on the maximum ad valorem tax levy established for each participating municipality. In addition, distribution from the PR Fund is made to cover death benefits for surviving spouses of members of the 1925, 1937 and 1953 local pension funds in excess of 30 percent of the salary of a first class patrolman or a first class firefighter.

The PR Fund also pays a lump sum line of duty death benefit of \$150,000. The benefit is paid to the surviving spouse or, if there is no surviving spouse, to the surviving children of a member of the 1977 Fund who dies in the line of duty as defined by IC 36-8-8-20. If there is no surviving spouse or children, the benefit is paid to the parent(s) in equal shares.

Cities and towns are permitted to defer receiving their earmarked relief payments from the PR Fund. The deferred amounts remain invested in the fund and are available to those cities and towns at their request. As of June 30, 2007, cities and towns had investments with a market value of approximately \$13.8 million on deposit in the PR Fund. In the fund's financial statements, the earmarked relief payments are reflected as distributions and the deferred amounts are reflected as additions from cities and towns.

(B) Public Safety Officers' Special Death Benefit Fund

Indiana Code 5-10-10 established the Special Death Benefit Fund. The fund was established for the purpose of paying a lump sum death benefit of \$150,000 to the surviving spouse or children of a public safety officer (as defined by IC 5-10-10-4) who dies in the line of duty. If there is no surviving spouse or children, the benefit is paid to the parent(s) in equal shares. The fund consists of bail bond fees remitted under IC 35-33-8-3.2, payments under IC 5-10-10-4.5, and investment earnings of the fund.

(C) State Employees' Death Benefit Fund

Indiana Code 5-10-11 established the State Employees' Death Benefit program. Under the program a death benefit of \$50,000 is to be paid to the surviving spouse or, if there is no surviving spouse, to the surviving children (to be shared equally) of a state of Indiana employee who dies in the line of duty as defined in the statute.

The statute did not establish a method to fund the program. It stated that: "The state shall provide these benefits by pur-

Notes to the Financial Statements (continued) – June 30, 2007

chasing group life insurance or by establishing a program of self-insurance.” Effective with the state’s pay period ended Oct. 23, 1993, the state assessed state agencies 0.1 percent of gross pay to fund this program. Because of the size of the fund, collection of the assessment ceased November 1999.

Note 4. Contributions Required and Contributions Made

Listed below is a brief description of the contributions required and the contributions made to each of the retirement funds and plans.

(A) Public Employees’ Retirement Fund

The state of Indiana and any political subdivision that elects to participate in the PERF plan is obligated by statute to make contributions to the plan. The required contributions are determined by the Board of Trustees based on actuarial investigation and valuation. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. Effective July 1, 2002, the amortization period for all employers is 30 years.

The actuarial cost method used in the valuation is the entry age normal cost method in accordance with IC 5-10.2-2-9. Under this method as supplied to the PERF plan, a normal cost is determined for each active participant which is the level percentage of compensation needed as an annual contribution from entry age to retirement age to fund projected benefits.

The unfunded actuarial accrued liability on any valuation date is the accumulated value of such normal costs for each non-retired participant from entry date to the valuation date less the value of assets for non-retired members at that date. This unfunded actuarial liability is compared to the expected unfunded actuarial accrued liability, which is determined as the prior valuation unfunded liability reduced by scheduled amortization payments and increased by interest at the actuarially assumed rate. Any changes between the actual actuarial accrued liability and expected actuarial accrued liability due to changes in benefit levels (excluding COLAs), changes in actuarial assumptions, and actuarial experience gains or losses are amortized over a 30-year period.

The actuary calculates actuarial assets using an asset smoothing method for the determination of the employer actuarially required contribution. Under the smoothing method, actuarial assets are equal to 75 percent of the

expected actuarial assets plus 25 percent of the market value of assets. The expected actuarial value of assets is equal to the preceding year’s actuarial assets adjusted for non-investment related transactions and increased by interest at the actuarially assumed rate.

Based on the actuarial valuation at July 1, 2006, employer required contributions were approximately \$278.2 million, which included normal cost of approximately \$257.2 million and \$21 million for amortization of the unfunded actuarial accrued liability. Contributions made by employers for the year ended June 30, 2007, were approximately \$260.2 million or 6 percent of covered payroll.

The required contribution levels are determined under the assumption that a 1.5 percent COLA will be granted in each future year, applying not only to then current retirees, but also to active employees who have yet to retire. The full effect of a 1.5 percent annual COLA is handled on a pre-funded basis.

(B) Judges’ Retirement System

Employer contribution requirements for the Judges’ Retirement System are not actuarially determined but are established by statute (IC 33-38-6-17) and appropriations. There is an appropriation from the state of Indiana General Fund for each biennium to the Judges’ Retirement System based on the recommendation of the actuary.

(C) State Excise Police, Gaming Agent and Conservation Enforcement Officers’ Retirement Plan

The funding policy provides for biennial appropriations authorized by the Indiana General Assembly, which when combined with anticipated member contributions are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability over 30 years and prevent the state’s unfunded accrued liability from increasing. State of Indiana statute defines the funding policy. Member contributions, defined by statute as 3 percent of the first \$8,500 of annual salary, are remitted to the fund upon each payroll. Effective July 1, 2007, members are required to contribute 4 percent of annual salary.

The significant actuarial assumptions used to determine contribution requirements include: (1) rate of return on the investment of present and future assets of 7.25 percent per year, compounded annually, (2) projected salary increases of 4.5 percent per year, compounded annually and (3) assets valued by smoothed market value basis.

*Notes to the Financial Statements (continued)– June 30, 2007***(D) 1977 Police Officers' and Firefighters' Pension and Disability Fund**

The funding policy for the 1977 Fund is mandated by statute that requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates rather than actual payroll. The member contribution rate is not actuarially determined but was established by statute at 6 percent of the salary of a first class officer or firefighter.

The employer contribution rate is actuarially determined using the entry age normal cost method. The total required to actuarially fund normal cost is reduced by the total estimated member contributions.

As the 1977 Fund is a cost sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. All participating employers are required to contribute 21 percent of the salary of a first class officer or firefighter during the fiscal year.

The significant actuarial assumptions used to determine the actuarially required employer contribution for the 1977 Fund include: (1) investment earnings of 7.25 percent per year, compounded annually, (2) salary increases of 4 percent per year, (3) benefit increases of 2.75 percent per year while the benefit is in payment status and (4) no recoveries from disabilities.

(E) Legislators' Retirement System

For the LDC Plan, each participant is required to contribute 5 percent of annual salary. In addition, the state of Indiana is required to contribute 20 percent of the member's annual salary on behalf of the participant. For the LDB Plan, the amount required to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund.

(F) Prosecuting Attorneys' Retirement Fund

The amount required to actuarially fund the PARF participants' retirement benefits, as determined by the Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund. Members contribute 6 percent of the state paid portion of their annual salary.

Note 5. Deposits and Investments**Investment Guidelines and Limitations:**

The Indiana General Assembly enacted the prudent investor standard to apply to the Board of Trustees and govern all

its investments. The primary governing statutory provision is that the Board of Trustees must "invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." The Board of Trustees also is required to diversify such investments in accordance with the prudent investor standard.

Within these governing statutes, the Board of Trustees has broad authority to invest the assets of the plans. The Board of Trustees utilizes external investment managers, each with specific mandates to implement the investment program. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the Board of Trustees.

The Board of Trustees approved a new asset allocation for the CRIF on Aug. 18, 2006. This asset allocation remained unchanged through June 30, 2007:

Asset Classes	Target Norm	Allowable Ranges
Equities - Domestic	40%	35% - 50%
Equities - International	15	10 - 20
Equities - Global	10	5 - 15
Fixed Income - Core	15	10 - 20
Fixed Income - TIPS	5	0 - 10
Alternatives - Private Equity	8	0 - 10
Alternatives - Real Estate	3	0 - 5
Alternatives - Commodities	2	0 - 5
Alternatives - Total Return Strategies	2	0 - 5

Investments in the PERF annuity savings accounts and LDC Plan are directed by the members in each respective plan and as such the asset allocation will differ from that of the CRIF. The PR Fund is invested to a target of 70 percent Fixed Income - Core and 30 percent Equities - Domestic. The Special Death Benefit Funds are 100 percent fixed income.

The following investment types are prohibited by the investment policy statement (PERF's IPS) as adopted by the Board of Trustees unless otherwise approved by the Board of Trustees:

- Short sales of any kind.
- Repurchase agreements that may create any kind of leverage in the portfolio.

Notes to the Financial Statements (continued) – June 30, 2007

- Purchases of letter or restricted stock.
- Buying or selling on margin.
- Purchases of futures and options.
- Purchases of derivative securities which have any of the following characteristics; leverage, indexed principal payment or links to indices representing investments.
- Purchases of interest only or principal only collateralized mortgage obligations.
- Purchases of guaranteed investment contracts (GICs), excluding securities lending cash collateral investment, or bank investment contracts (BICs).
- Any transactions giving rise to unrelated business taxable income (excluding current holdings).
- Any transaction that would be a "prohibited transaction" under the Internal Revenue Code Section 503.
- Purchases of inverse floaters.

Custodial Credit Risk

Custodial credit risk is the risk that PERF will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of PERF and are held by either the counterparty or the counterparty trust department's agent, but not in PERF's name.

There was no custodial credit risk for investments including investments related to securities lending collateral as of June 30, 2007. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, all fund investments are held by banks under custodial agreements in the fund's name, all custodians are domiciled in the United States and approved by the Indiana Department of Financial Institutions to act in a fiduciary capacity and manage custodial accounts in Indiana.

Deposit Risks

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to \$100,000 each. Deposits in the demand accounts held in excess of \$100,000 are not collateralized. Deposits with the Indiana Treasurer of State are entirely insured. Deposits held with the investment custodian are collateralized with securities on loan that are held by the pledging financial institution.

Cash Deposits
(dollars in thousands)

	Total	JPMorgan Chase Bank	National City Bank
Demand deposit account – carrying value	\$ 7,048.5	\$ 6,615.3	\$ 433.2
Demand deposit account – bank balance	72,790.1	69,629.3	3,160.8
Held with Treasurer of State	6,930.3	-	-
Held with investment custodian:			
Cash	12,122.9	-	-
Time Deposits – Cash			
Collateral (nonnegotiable)	418,500.0	-	-

Credit Risk

PERF's IPS sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and as outlined in each portfolio manager contract. The guidelines and benchmarks are as follows: (1) the fixed income portfolio (excluding TIPS) must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent, (2) securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the Board, (3) the benchmark for the fixed income portfolio is the Lehman Brothers Aggregate Bond Index and (4) the Treasury Inflation Protection Securities (TIPS) portfolio must substantially match the quality of its benchmark, the Lehman Brothers TIPS US Index. The quality rating of investments in debt securities as described by the Nationally Recognized Statistical Rating Organization (NRSRO) Standard and Poor's at June 30, 2007 is as follows (dollars in millions):

Quality Rating	Fair Value	% of Portfolio
AAA	\$ 3,196.1	71.9 %
AA	91.0	2.0
A	124.9	2.8
A-1	34.1	0.8
BBB	165.9	3.7
BB	44.5	1.0
B	21.2	0.5
CCC	2.5	0.1
Not Rated	765.0	17.2
Total	\$ 4,445.2	100 %

The credit risk schedule includes debt securities, short-term money market funds, bond mutual funds and bond com-

Notes to the Financial Statements (continued)– June 30, 2007

mingled funds. Of the total fair value reported, approximately \$2.6 billion (58.8 percent) is AAA rated US Treasury, US Agency or US Agency Mortgage Backed Securities. The remaining balance of approximately \$1.8 billion (41.2 percent) consists of corporate debt, short-term custodial money market funds, commingled or mutual funds, and asset-backed and mortgage-backed securities of various credit quality ratings.

Of the \$765 million not rated by Standard & Poor's, approximately \$98.8 million (12.9 percent of Not Rated), are rated by Moody's (another NRSRO) as follows: approximately \$88.6 million are rated A3 or better, approximately \$9.5 million are rated B3 through Baa2 and the balance of approximately \$0.7 million are rated Ca through Caa1. Included in the Not Rated category are approximately \$658.6 million (86.1 percent of Not Rated) in money market funds, mutual funds or commingled funds. The remaining balance of approximately \$7.6 million (1 percent) is not rated by either Moody's or Standard and Poor's.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. PERF's IPS limits the purchase of securities of any one issuer, with the exception of the US Government and its agencies, to an initial cost of 5 percent of the market value of an investment manager's portfolio. Through capital appreciation, no such holding should exceed 7.5 percent of the market value of the total holdings of such investment manager's portfolio.

For investment managers contracted to manage concentrated portfolios, exposure to the securities issued by a single issuer, with the exception of the U.S. Government and its agencies, is limited to 7.5 percent of the investment manager's portfolio based upon initial cost and no more than 15 percent of the market value of the portfolio as a result of capital appreciation.

At June 30, 2007, there was no concentration of credit risk for the CRIF or separately managed fund portfolios.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is an indicator of a bond price's sensitivity to a 100 basis point change in interest rates.

PERF's IPS sets duration guidelines for the fixed income investment portfolio that are linked directly, or indirectly, to the benchmark indices for each of its sub-asset classes and as outlined in each investment manager portfolio contract. Several sub-asset classes require that duration of the portfolio may not vary more than 20 percent above or below the duration of the applicable benchmark index.

Duration information is provided below (dollars in millions):

Investment Type	Net Asset Fair Value	% of Net Asset Fair Value	Duration
Short-Term Investment Fund	\$ 450.3	10.1%	0.01
Government & Agency Obligations	1,661.6	37.1	6.28
Residential & Commercial Mortgage-Backed Securities	1,480.7	33.1	3.74
Corporate Bonds	481.7	10.8	5.73
Asset-Backed	186.9	4.2	0.41
Municipal Securities	0.8	0.0	0.76
Debt Securities Mutual Funds	208.3	4.7	3.82
Total Net Asset Fair Value	\$4,470.3	100 %	4.39

PERF investments are directly, or indirectly, sensitive to changes in the interest rate environment. Some derivative products, identified in the derivatives financial instruments section, are also sensitive to interest rate risk. Debt securities, debt securities mutual funds and commingled funds, and short-term cash and cash-equivalents represent the portions of the portfolio most sensitive to interest rate risk and are included in the duration information. Fair value of debt securities includes all debt securities, debt securities mutual funds and commingled funds, and short-term cash and equivalents, gross of pending transactions, was approximately \$4.5 billion at June 30, 2007.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERF's foreign currency exposure is focused primarily in international and global equity holdings. Futures currency contracts are reported in the following schedule at gross exposure value. Forward currency contracts values included both receivables and payables.

Notes to the Financial Statements (continued) – June 30, 2007

PERF's IPS refers to foreign currency guidelines that are linked directly, or indirectly, to the benchmark indices for each sub-asset class or as outlined in each portfolio manager contract. Certain fixed securities portfolio sub-asset classes allow for up to 20 percent investment in non-US dollar government and corporate securities. The equity portfolio sub-asset classes have specific guidelines for international equities and global equity investments. Certain sub-asset classes do not allow emerging markets investments while some allow up to 20 percent of market value to be held in emerging markets.

PERF has exposure to foreign currency fluctuation as follows (dollars in millions):

Currency	Equity Securities	Debt Securities	Contracts, Currencies, or Money Market Securities	Total Fair Value	% of Foreign Currency	% of Total Investments (USD)
Euro	\$1,086.2	\$ 14.8	\$(46.6)	\$1,054.4	36.7%	6.1%
Japanese Yen	499.8	4.7	22.9	527.4	18.3	3.0
Pound Sterling	541.1	-	(49.5)	491.6	17.1	2.9
Australian Dollar	203.4	-	(6.3)	197.1	6.9	1.2
Swiss Franc	138.2	-	(3.7)	134.5	4.7	0.8
Swedish Krone	98.5	-	(2.3)	96.2	3.3	0.6
Other	320.6	2.8	49.8	373.2	13.0	2.2
Total	\$2,887.8	\$ 22.3	\$(35.7)	\$2,874.4	100%	16.8%

Securities Lending

Indiana Code 5-10.2-2-13(d) provides that the Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which securities held by the custodian on behalf of PERF may be loaned. The purpose of such a program is to provide additional revenue for PERF.

Statute requires that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower and must be maintained at no less than the total market value of the loaned securities. The Board of Trustees requires that collateral securities and cash be initially pledged at 102 percent of the market value of the securities lent. No more than 40 percent of CRIF's total assets may be lent at one time. The custodian bank and/or its securities lending subagents provide 100 percent indemnification to

the Board of Trustees and the CRIF against borrower default, overnight market risk and failure to return loaned securities. Securities received as collateral cannot be pledged or sold by the Board of Trustees unless the borrower defaults. PERF retains the market value risk with respect to the investment of the cash collateral.

Cash collateral investments are subject to the investment guidelines specified by PERF's IPS. It states that the maximum weighted average days to maturity may not exceed 60. The average term to maturity of the cash collateral portfolio was approximately 18 days at June 30, 2007. The securities lending agent matches the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities.

The fair value of securities lent for cash collateral at June 30, 2007 was (dollars in millions):

The credit quality of the cash collateral investments at June 30, 2007 was (dollars in millions)¹:

Investment Type	Loan Value	Cash Collateral Investments Quality Rating	Fair Value	Percent of Portfolio
Government Obligation	\$ 1,247.6	AAA	\$ 55	1.7%
Corporate Bonds	52.2	AA	105	3.2
		A-1 and A-1+	3,044	92.7
Equities	1,918.4	A2	31	0.9
Total Fair Value	\$ 3,218.2	Not Rated	49	1.5
		Total	\$ 3,284	100%

¹Standard and Poor's

The majority of AAA rated collateral investments were asset-backed securities. The majority of AA rated collateral investments were guaranteed investment contracts. The majority of A-1 and A-1+ collateral investments were medium-term corporate bonds. The Not Rated collateral investments are commercial paper.

At June 30, 2007, PERF had loaned approximately \$188.7 million US Treasury and government agency obligations for securities collateral. The securities collateral value was approximately \$192.5 million which represented 102 percent coverage.

Notes to the Financial Statements (continued)– June 30, 2007

At fiscal year end, PERF has no credit risk exposure to borrowers because the amount it owes to the borrowers exceeds the amount owed by the borrowers.

Derivative Financial Instruments

PERF invested in derivative financial investments as authorized by PERF's IPS. A derivative security is an investment in which the payoff depends on the value of other assets such as commodity prices, bond and stock prices, or market index. PERF's investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, PERF's derivative investments included foreign currency forward contracts, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), treasury inflation protected securities (TIPS) and futures.

Foreign currency forward contracts are used to hedge against the currency risk in PERF's foreign equity stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2007, PERF's investments included the following currency forwards balances (dollars in millions):

Forward Currency Contract Receivables	\$ 265.4
Forward Currency Contract Payables	\$ 265.1

PERF's debt securities managers invest in CMOs/REMICs to improve the yield or adjust the duration of the debt securities portfolio. As of June 30, 2007, the carrying value of the PERF's CMO/REMIC holdings was approximately \$237.3 million.

TIPS are used by PERF's debt securities managers to provide a real return against inflation (as measured by the Consumer Price Index). As of June 30, 2007, the carrying value of the PERF's TIPS holdings was approximately \$1.1 billion.

PERF's investment managers use financial futures to replicate an underlying security or index they intend to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, PERF's investment managers use futures contracts to adjust the portfolio risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio. Futures contracts may be used for the purpose of investing cash flows or modifying duration but in no event may leverage be created by any individual security or combination of securities.

Note 6. Commitments for Alternative Investments

PERF had entered into agreements to fund limited liability partnerships of approximately \$1 billion as of June 30, 2007. PERF has disbursed approximately \$254 million toward the commitments as of June 30, 2007. The expected funding dates for these commitments extend through 2026. These amounts include three Euro denominated commitments to limited liability partnerships converted to United States dollars at the closing exchange rate as of June 30, 2007.

As of June 30, 2007, five commitments were approved by the Board of Trustees which have been subsequently signed and finalized, representing \$159 million in commitments.

Note 7. Risk Management

PERF is exposed to various risks of loss. These losses include damage to property owned, personal injury or property damage liabilities incurred by an officer, agent or employee, malfeasance and theft by employees, certain employee health and death benefits and unemployment and worker's compensation costs for employees.

PERF's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead it records as an expense any loss as the liability is incurred or replacement items are purchased. PERF does carry general liability insurance, property insurance, business interruption insurance and a blanket bond on employees. The Board

Notes to the Financial Statements (continued) – June 30, 2007

of Trustees administers the state of Indiana's risk financing activity for the state employees' death benefits.

**Note 8. Required and Other
Supplementary Information**

The historical trend information designed to provide information about PERF's progress in accumulating sufficient assets to pay benefits when due is required supplementary information. Required Supplementary Information is included immediately following the notes to the Financial Statements. Other Supplementary Information is presented for the purpose of additional analysis and is not a required part of the Financial Statements.

Required Supplementary Information Schedule of Funding Progress

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL or Funding Excess (b-a)	Funded Ratio (a/b) ¹	Annual Covered Payroll (c)	Unfunded AAL or Funding Excess as a Percentage of Covered Payroll (b-a)/c) ¹
Public Employees' Retirement Fund						
7/1/2001	\$ 8,723,304	\$8,305,672	\$ (417,632)	105.0%	\$ 3,587,080	(11.6%)
7/1/2002	8,994,854	9,066,132	71,278	99.2	3,785,242	1.9
7/1/2003	9,293,952	9,034,573	(259,379)	102.9	3,952,230	(6.6)
7/1/2004	9,853,976	9,844,353	(9,623)	100.1	4,198,942	(0.2)
7/1/2005	10,471,937	10,858,322	386,385	96.4	4,318,450	8.9
7/1/2006	11,177,971	11,450,928	272,957	97.6	4,322,180	6.3
Judges' Retirement System						
7/1/2001	115,040	188,610	73,570	61.0	29,748	247.3
7/1/2002	121,155	188,434	67,279	64.3	25,805	260.7
7/1/2003	126,152	206,846	80,694	61.0	25,400	317.7
7/1/2004	135,798	209,992	74,194	64.7	25,693	288.8
7/1/2005	151,003	272,855	121,852	55.3	32,231	378.1
7/1/2006	178,276	272,997	94,721	65.3	34,065	278.1
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan						
7/1/2001	36,921	52,024	15,103	71.0	12,486	121.0
7/1/2002	37,360	55,884	18,524	66.9	12,654	146.4
7/1/2003	37,286	52,006	14,720	71.7	11,944	123.2
7/1/2004	38,772	50,010	11,238	77.5	10,209	110.1
7/1/2005	41,663	59,964	18,301	69.5	13,223	138.4
7/1/2006	48,496	64,765	16,269	74.9	14,892	109.2
1977 Police Officers' and Firefighters' Pension and Disability Fund						
1/1/2001	1,491,030	1,620,294	129,264	92.0	389,200	33.2
1/1/2002	1,615,245	1,808,754	193,509	89.3	396,246	48.8
1/1/2003	1,660,445	1,766,846	106,401	94.0	432,954	24.6
1/1/2004	1,797,124	1,875,518	78,394	95.8	469,750	16.7
1/1/2005	1,976,905	2,064,171	87,266	95.8	493,707	17.7
1/1/2006	2,347,986	2,415,053	67,067	97.2	522,227	12.8
Prosecuting Attorneys' Retirement Fund						
7/1/2001	11,073	20,417	9,344	54.2	13,636	68.5
7/1/2002	11,957	22,386	10,429	53.4	14,438	72.2
7/1/2003	12,758	15,685	2,927	81.3	13,159	22.2
7/1/2004	14,655	22,588	7,933	64.9	15,149	52.4
7/1/2005	16,876	25,744	8,868	65.6	16,659	53.2
7/1/2006	20,053	29,184	9,131	68.7	19,225	47.5
Legislators' Retirement System						
7/1/2001	4,666	5,508	842	84.7	N/A ²	N/A ²
7/1/2002	4,446	5,503	1,057	80.8	N/A ²	N/A ²
7/1/2003	4,200	4,948	748	84.9	N/A ²	N/A ²
7/1/2004	4,206	4,856	650	86.6	N/A ²	N/A ²
7/1/2005	4,339	4,999	660	86.8	N/A ²	N/A ²
7/1/2006	4,721	5,232	511	90.2	N/A ²	N/A ²

¹ For consistency with current year reporting, prior year percentages have been rounded to a tenth of a percent.

² Benefit formula is primarily based on service, rather than compensation.

See accompanying notes to required supplementary information.

Required Supplementary Information Schedule of Employer Contributions

(dollars in thousands)

Public Employees' Retirement Fund

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	\$175,820	118.3%
2003	217,077	98.3
2004	166,574	141.0 ¹
2005	202,631	101.8
2006	249,669	92.3
2007	278,190	93.5

Judges' Retirement System

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	\$10,320	121.5%
2003	9,561	138.9
2004	10,488	123.6
2005	10,064	134.5
2006	14,932	90.7
2007	12,249	119.7

State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	\$2,047	93.0%
2003	2,324	84.0
2004	2,190	96.8
2005	1,867	116.0
2006	2,710	92.2
2007	3,128	107.4

1977 Police Officers' and Firefighters' Pension and Disability Fund

Year Ended Dec. 31	Annual Required Contributions	Percentage Contributed
2001	\$ 91,914	97.9% ¹
2002	98,687	87.1 ¹
2003	87,253	108.9 ¹
2004	92,833	110.8 ¹
2005	97,286	111.8 ¹
2006	102,964	157.6

Prosecuting Attorneys' Retirement Fund

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	\$ 907	48.1%
2003	1,129	39.5
2004	144	647.9
2005	889	108.1
2006	952	17.9
2007	1,044	18.2

Legislators' Retirement System Defined Benefit Plan

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2002	\$206	90.8%
2003	234	79.9
2004	95	216.8
2005	89	231.5
2006	91	109.9
2007	120	83.3

¹ Percentages have been restated to correct prior year data.

See accompanying notes to required supplementary information.

Notes to Required Supplementary Information – June 30, 2007

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	Public Employees' Retirement Fund	Judges' Retirement System	State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan
Valuation Date	July 1, 2006	July 1, 2006	July 1, 2006
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Dollar, Closed Amortization Period	Level Dollar, Closed Amortization Period	Level Dollar, Closed Amortization Period
Remaining Amortization Method ¹	30 Years	30 Years	30 Years
Asset Valuation Method	75% of Expected Actuarial Value Plus 25% of Market Value	Smoothed Market Value Basis	Smoothed Market Value Basis
Actuarial Assumptions:			
Investment Rate of Return	7.25%	7.25%	7.25%
Projected Salary Increases	4%	4%	4.5%
Post-retirement Benefit Increases ²	N/A	4%	N/A
Cost of Living Increases	1.5%	N/A	1.5%
	1977 Police Officers' and Firefighters' Pension and Disability Fund	Prosecuting Attorneys' Retirement Fund	Legislators' Retirement System – Defined Benefit Plan
Valuation Date	Jan. 1, 2006	July 1, 2006	July 1, 2006
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Accrued Benefit (Unit Credit)
Amortization Method	Level Dollar, Open Amortization Period	Level Dollar, Open Amortization Period	Level Dollar, Open Amortization Period
Remaining Amortization Method ¹	30 Years	30 Years	16 Years
Asset Valuation Method	Smoothed Market Value Basis	Smoothed Market Value Basis	Smoothed Market Value Basis
Actuarial Assumptions:			
Investment Rate of Return	7.25%	7.25%	7.25%
Projected Salary Increases	4%	4%	3%
Post-retirement Benefit Increases	N/A	N/A	N/A
Cost of Living Increases	2.75%	N/A	1.5%

¹For PERF only, a new amortization base is determined each year and amortized over 30 years. All prior amortization bases are maintained and amortized over their remaining 30-year period. If the equivalent single amortization period for all amortization bases ever exceeds 30 years, then the total unfunded liability shall be re-amortized over a fresh 30-year period. For all other plans except the 1977 Police Officers' and Firefighters' Pension and Disability Fund (which uses an open 30-year amortization period), the total unfunded liability is amortized over the remaining 30-year period (30-year period commences July 1, 2006).

²The 4 percent post-retirement benefit increase in the July 2006 valuation for the Judges' Retirement System only applies to the 1977 Benefit System, not the 1985 Benefit System (which has no post-retirement benefit increase).

Other Supplementary Information

Administrative Expenses – Year Ended June 30, 2007

(dollars in thousands)

Personal Services:

Salaries and Wages	\$ 6,339
Employee Benefits	2,307
Supplemental Services	521
Total Personal Services	9,167

Contractual and Professional Services:

Actuarial	252
Legal	171
Consultants	3,525
Contractual Services	636
Information System Development Services	4,674
Total Contractual and Professional Services	9,258

Communications:

Telephone	97
Postage	782
Printing Expense	433
Other	15
Total Communications	1,327

Miscellaneous:

Data Processing	299
Travel	125
Training	54
Supplies & Maintenance	127
Dues & Subscriptions	33
Offices Supplies	96
Office Equipment	36
Operating Expenses and Other Expenses	505
Total Miscellaneous	1,275

Total Administrative Expenses

\$21,027

Allocation of Administrative Expenses:

Public Employees' Retirement Fund	\$17,943
Judges' Retirement System	194
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	64
1977 Police Officers' and Firefighters' Pension & Disability Fund	2,559
Prosecuting Attorneys' Retirement Fund	23
Legislators' Retirement System - Defined Benefit Plan	56
Public Safety Officers' Special Death Benefit Fund	1
State Employees' Death Benefit Fund	4
Pension Relief Fund	183

Total Administrative Expenses Allocation

\$21,027

Other Supplementary Information

Investment Expenses – Year Ended June 30, 2007

(dollars in thousands)

Investment Expenses

Custodial and Consulting

JPMorgan Chase Bank N.A.	Custodial Fees	\$ 445
Plexus Group, Inc.	Investment Analysis	48
Strategic Investment Solutions	Investment Consulting	199
Mercer Investment Consulting	Investment Consulting	264
CEM Benchmarking Inc.	Investment Consulting	20

Domestic Equity

Barclays Global Investors	Equity - Large Cap Core	6,494
Brandes Investment Partners	Equity - Mid Cap Value	2,903
Hotchkis & Wiley Capital Management, LLC	Equity - Large Cap Value	1,451
Jacobs Levy Equity Management, Inc.	Equity - Small Cap Growth	2,743
Numeric Investors, LP	Equity - Small Cap Value	3,090
Osprey Partners Investment Management, LLC	Equity - Small and Large Cap Value	4,015
Sands Capital Management	Equity - Large Cap Growth	1,097
Times Square Capital Management	Equity - Small Cap Growth	1,832
Turner Investment Partners	Equity - Large Cap Growth	3,055
Wells Capital Management	Equity - Mid Cap Growth	2,164

International Equity

Baillie Gifford and Company	Equity - International Growth	3,397
Barclays Global Investors	Equity - International Core	2,752
Mondrian Investment Partners Limited	Equity - International Value	1,978

Global Equity

Brandes Investment Partners	Equity - Global Value	2,020
Capital Guardian Trust Company	Equity - Global Growth	2,064
Invesco	Equity - Global Core	1,825

Fixed Income

Allegiant (formerly National City)	Fixed Income - Core Active	12
Barclays Global Investors	Fixed Income - Core	30
BlackRock Financial Management, Inc.	Fixed Income - Core Opportunistic	911
Hughes Capital Management, Inc.	Fixed Income - Core Active	200
Lehman Brothers Asset Management, LLC	Fixed Income - Core Enhanced and TIPS Enhanced	294
Northern Trust Company	Fixed Income - Core and TIPS Index	208
Reams Asset Management Co.	Fixed Income - Core Active	442
Seix Investment Advisors	Fixed Income - Core Opportunistic	356
Taplin, Canida & Habacht	Fixed Income - Core Active	398
Western Assets Management Co.	Fixed Income - Core Opportunistic and TIPS Active	1,046

Alternative Investments

Arch Venture Fund VI, LP	Private Equity	235
Cerberus Institutional Partners, Series Four	Private Equity	725
Energy Capital Partners I, LP	Private Equity	805
Greenpark International Investors III, LP	Private Equity	324
Hellman and Friedman Capital Partners VI, LP	Private Equity	186
Horsley Bridge Growth VII, LP	Private Equity	15
Horsley Bridge International IV, LP	Private Equity	194
House Investments - Real Estate Opportunity Fund III, LP	Real Estate	182
House Real Estate Opportunities Fund IV, LP	Real Estate	43
Indiana Future Fund, LP	Private Equity	69
Indiana Investment Fund, LP	Private Equity	1,373
Lehman Crossroads Fund XVIII - Venture Capital, LP	Private Equity	408
Lexington Capital Partners VI-B, LP	Private Equity	341
Lindsay Goldberg & Bessemer I, LP	Private Equity	95
Lindsay Goldberg & Bessemer II, LP	Private Equity	1,458
Merit Mezzanine Fund IV, LP	Private Equity	390
OCM Asia Fund I, LP	Private Equity	600
OCM Opportunities Fund VI, LP	Private Equity	375
OCM Opportunities Fund VII, LP	Private Equity	186
PACVEN Walden International Venture Fund VI, LP	Private Equity	200
Technology Partners Fund	Private Equity	147
Terra Firma Capital	Private Equity	998

Short-Term Investments

JPMorgan Chase Bank N.A.	Sweep fees — Benefits	11
JPMorgan Chase Bank N.A.	Sweep fees — Investments	465

Total Investment Expenses

\$ 57,578

Other Supplementary Information
Contractual and Professional Services Expenses
Year Ended June 30, 2007

(dollars in thousands)

Individual or Firm	Fee	Nature of Services
Indiana Office of Technology	\$ 4,673	IT System Development and Network Support
Clifton Gunderson	2,659	Processing and Reconciling Services
KPMG	405	SIRIS Replacement Services
Ernst & Young	286	Accounting and Process Documentation Services
McCready and Keene, Inc.	252	Actuarial Services
The Anderson Group Consulting, LLC	175	Data Entry Services
Ryan Consulting Group	143	Report Development and Processing
Information Builders	123	Web Reporting
Baker & Daniels	87	Legal Services
The Berwyn Group	78	Address Search Services
Omkar Markand, M.D.	54	Medical Consulting - Police & Fire Fund
Walker Information	49	Retiree Surveys
Ice Miller Legal & Business Advisors	44	Legal Services
Sungard Availability Services	37	Computer Backup Services
Haverstick Consulting	32	Technical Writer
Barada Associates, Inc.	30	Background Checks
CEM Benchmarking Inc.	30	Benchmarking Services
Kreig Devault, LLP	19	Legal Services
Great-West Life and Annuity	15	Recordkeeping
Stephenson Morow & Semler	9	Legal Services
Mercer Investment Consulting	9	Board Governance Consulting Services
Groom Law Group	8	Legal Services
Various State Agencies	8	Death Certificates
Indiana State Police	7	Background Checks
State Budget Agency	6	PERF Peoplesoft Implementation
Central Security & Communications, Inc.	5	Security Monitoring
Recall-Total Information	4	Document Security Services
TransUnion	4	Death Services
Palagy & Associates	4	Security Survey
Wayne E. Uhl	2	Legal Services
GuideSoft Incorporation	1	Technical Writer
Total Contractual and Professional Services Expense	\$ 9,258	